

**Introduced by Senator Kehoe**

February 18, 2005

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An act to amend Section 97.73 of the Revenue and Taxation Code, relating to local government finance, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 568, as amended, Kehoe. Property tax revenue allocations: nonenterprise special districts.

(1) Existing property tax law requires the county auditor, in each fiscal year, to allocate property tax revenue to local jurisdictions in accordance with specified formulas and procedures, and generally requires that each jurisdiction be allocated an amount equal to the total of the amount of revenue allocated to that jurisdiction in the prior fiscal year, subject to certain modifications, and that jurisdiction's portion of the annual tax increment, as defined. Existing law requires the auditor to reduce, for the 2004-05 and 2005-06 fiscal years, the total amount of property tax revenue that is otherwise required to be allocated to an enterprise and a nonenterprise special district, as defined, by an amount calculated by the Controller pursuant to a specified formula. Existing law requires that the total statewide amount of these reductions for each of those fiscal years equal \$350 million.

The California Constitution prohibits the Legislature from enacting a statute that changes the manner in which property tax revenues are allocated so as to reduce the percentage of property tax revenues that are allocated in a county among all local agencies, as defined, below the percentage of those revenues that were so allocated under the law in effect on November 3, 2004, as specified.

This bill would specify that, for the 2005-06 fiscal year, a nonenterprise special district does not include a local health care district, as specified. This bill would also require the Controller to implement this ~~change exemption~~ in a manner that ensures ~~that the statewide total reductions for all special districts for that fiscal year equal \$350,000,000, as specified, and that the percentage of ad valorem property tax revenue that is allocated among all local agencies in a county for that fiscal year is not less than the percentage of those revenues that were so allocated for the 2004-05 fiscal year that this bill does not result in a net increase in the total amount of the reduction for any special district for the 2005-06 fiscal year from the total amount of the reduction determined for that special district for the 2004-05 fiscal year.~~

By imposing new duties on county auditors in allocating property tax revenues for the 2005-06 fiscal year, this bill would impose a state-mandated local program.

(2) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

(3) This bill would declare that it is to take effect immediately as an urgency statute.

Vote:  $\frac{2}{3}$ . Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 97.73 of the Revenue and Taxation
- 2 Code is amended to read:
- 3 97.73. Notwithstanding any other provision of law, for each
- 4 of the 2004-05 and 2005-06 fiscal years, all of the following
- 5 apply:
- 6 (a) (1) (A) The total amount of ad valorem property tax
- 7 revenue, other than those revenues that are pledged to debt
- 8 service, otherwise allocated for each of those fiscal years to each
- 9 nonenterprise special district shall be reduced by 10 percent of

1 the amount of ad valorem property tax revenue of the district for  
2 the 2001-02 fiscal year, as reported in the ~~2001-02~~ 2001-02  
3 edition of the State Controller's Special Districts Annual Report.

4 (B) (i) Notwithstanding subparagraph (A), for the Laguna  
5 Niguel Community Service District in the County of Orange, the  
6 reduction described in subparagraph (A) shall be 4 percent rather  
7 than 10 percent.

8 (ii) If the district described in clause (i) is not dissolved before  
9 July 1, 2006, for each of the 2006-07 and 2007-08 fiscal years,  
10 the auditor shall reduce the total amount of ad valorem property  
11 tax revenue, other than those revenues that are pledged to debt  
12 service, otherwise allocated to that district for each of those fiscal  
13 years by 6 percent of the amount of ad valorem property tax  
14 revenue of the district for the 2001-02 fiscal year, as reported in  
15 the 2001-02 edition of the State Controller's Special Districts  
16 Annual Report.

17 (C) If a nonenterprise special district is located in more than  
18 one county, the auditor of each county in which that  
19 nonenterprise special district is located shall implement that  
20 portion of the total reduction, required by subparagraph (A) with  
21 respect to that district, determined by the ratio of the amount of  
22 ad valorem property tax revenue allocated to that district from  
23 the county to the total amount of ad valorem property tax revenue  
24 allocated to that district from all counties.

25 (2) The Controller shall determine the amount of the ad  
26 valorem property tax revenue reduction required by paragraph  
27 (1) for each nonenterprise special district in each county and  
28 notify the Director of Finance of these amounts on or before  
29 October 25, 2004.

30 (b) That amount of ad valorem property tax revenue that is not  
31 allocated to a nonenterprise special district as a result of  
32 subdivision (a) shall instead be deposited in the county  
33 Educational Revenue Augmentation Fund and shall be allocated  
34 as specified in subdivision (d) of Section 97.3.

35 (c) For purposes of this section, all of the following apply:

36 (1) (A) "Nonenterprise special district" means a special  
37 district that engages solely, as reported in the 2001-02 edition of  
38 the State Controller's Special Districts Annual Report, in  
39 nonenterprise functions, and a qualified special district as defined  
40 in Section 97.34.

(B) Notwithstanding any other provision of law, “nonenterprise special district” does not include any of the following:

(i) A fire protection district that was formed under the Shade Tree Law of 1909 set forth in Article 2 (commencing with Section 25620) of Chapter 7 of Division 2 of Title 3 of the Government Code.

(ii) A police protection district formed pursuant to Part 1 (commencing with Section 20000) of Division 14 of the Health and Safety Code.

(iii) A fire protection district formed under the Fire Protection District Law of 1987 (Part 2.7 (commencing with Section 13800) of Division 12 of the Health and Safety Code) or a fire protection district formed under the Fire Protection District Law of 1961, or any of its statutory predecessors, and that existed on January 1, 1988.

(iv) Any library special district, including, but not limited to, the following:

(I) A county free library system established pursuant to Article 1 (commencing with Section 19100) of Chapter 6 of Part 11 of Division 1 of Title 1 of the Education Code.

(II) A unified school district and union school district public library district established pursuant to Chapter 3 (commencing with Section 18300) of Part 11 of Division 1 of Title 1 of the Education Code.

(III) A library district established pursuant to Chapter 8 (commencing with Section 19400) of Part 11 of Division 1 of Title 1 of the Education Code.

(IV) A library district in unincorporated towns and villages established pursuant to Chapter 9 (commencing with Section 19600) of Part 11 of Division 1 of Title 1 of the Education Code.

(v) A memorial district formed pursuant to Article 1 (commencing with Section 1170) of Chapter 1 of Part 2 of Division 6 of the Military and Veterans Code.

(vi) A mosquito abatement district or a vector control district formed pursuant to Chapter 1 (commencing with Section 2000) of Division 3 of the Health and Safety Code, or any predecessor to that law.

(vii) The Glenn County Pest Abatement District and the East Side Mosquito Abatement District formed pursuant to Chapter 8

(commencing with Section 2800) of Division 3 of the Health and Safety Code.

~~(viii) A-(I) For the 2005-06 fiscal year, a local health care district as described in Division 23 (commencing with Section 32000) of the Health and Safety Code. Concurrent with applying this exemption for the 2005-06 fiscal year, the Controller shall determine the amounts described in paragraph (2) of subdivision (a) of Section 97.72 in a manner that ensures both of the following:~~

~~(I) That the total amount of reductions for that fiscal year for all special districts under this section and Section 97.72 equals three hundred fifty million dollars (\$350,000,000).~~

~~(II) That the percentage of ad valorem property tax revenue that is allocated among all local agencies in a county for that fiscal year is not less than the percentage of those revenues that were so allocated for the 2004-05 fiscal year.~~

*(II) Notwithstanding any other provision of law, in making the determinations required by paragraph (2) of subdivision (a) of Section 97.72, the Controller shall ensure that the operation of this clause does not result in a net increase in the total amount of the reduction for any special district required by this section or Section 97.72 for the 2005-06 fiscal year from the total amount of the reduction determined under those provisions for that special district for the 2004-05 fiscal year.*

(2) With respect to a nonenterprise special district that performs, as reported in the 2001-02 edition of the State Controller's Special Districts Annual Report, nonenterprise functions and police protection services with certified peace officers, as described in Chapter 4.5 (commencing with Section 830) of Title 3 of Part 2 of the Penal Code, or nonenterprise functions and fire protection services, "the amount of ad valorem property tax revenue of the district for the 2001-02 fiscal year" does not include ad valorem property tax revenue of that district for fire protection or police protection nonenterprise functions, as reported in the 2001-02 edition of the State Controller's Special Districts Annual Report.

(3) With respect to a nonenterprise special district formed pursuant to Article 3 (commencing with Section 5500) of Chapter 3 of Division 5 of the Public Resources Code that performs, as reported in the 2001-02 edition of the State

1 Controller's Special Districts Annual Report, nonenterprise  
2 functions and police protection services with certified peace  
3 officers, as described in Chapter 4.5 (commencing with Section  
4 830) of Title 3 of Part 2 of the Penal Code, or nonenterprise  
5 functions and fire protection services, "the amount of ad valorem  
6 property tax revenue of the district for the 2001-02 fiscal year"  
7 does not include total expenditures net of total revenues by that  
8 district for fire protection or police protection nonenterprise  
9 functions, as reported in the 2001-02 edition of the State  
10 Controller's Special Districts Annual Report.

11 (4) For purposes of this section, "revenues that are pledged to  
12 debt service" includes only those amounts required as the sole  
13 source of repayment to pay debt service costs in the 2002-03  
14 fiscal year on debt instruments issued by a nonenterprise special  
15 district for the acquisition of fixed assets. For purposes of this  
16 paragraph, "fixed assets" means land, buildings, equipment, and  
17 improvements, including improvements to buildings.

18 (d) For the purposes of this section, if a special district's  
19 financial transactions do not appear in the 2001-02 edition of the  
20 State Controller's Special Districts Annual Report, the Controller  
21 shall use the most recent data available for that district.

22 (e) For the 2005-06 fiscal year and each fiscal year thereafter,  
23 the amounts determined under subdivision (a) of Section 96.1, or  
24 any successor to that provision, shall not reflect, for a preceding  
25 fiscal year, any portion of any allocation required by this section.

26 SEC. 2. If the Commission on State Mandates determines that  
27 this act contains costs mandated by the state, reimbursement to  
28 local agencies and school districts for those costs shall be made  
29 pursuant to Part 7 (commencing with Section 17500) of Division  
30 4 of Title 2 of the Government Code.

31 SEC. 3. This act is an urgency statute necessary for the  
32 immediate preservation of the public peace, health, or safety  
33 within the meaning of Article IV of the Constitution and shall go  
34 into immediate effect. The facts constituting the necessity are:

35 In order to provide immediate fiscal relief to local health care  
36 districts to enable them to provide critical services to preserve the  
37 public peace, health, and safety, it is necessary that this act take  
38 effect immediately.